



# Minutes

## City of Flagstaff

### Audit Committee

10:13 a.m. Friday, January 15, 2021

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Microsoft Teams, City Hall, 211 West Aspen Avenue

**CALL TO ORDER: 10:13 a.m.**

#### **I. INTRODUCTIONS/ROLL CALL**

COMMISSION MEMBERS:

Sharman Cawood, CPA (present)

Dennis Such, Principal (present)

Rick Tadder, Mgmt. Services Dir./Treasurer (present)

Paul Deasy, Mayor (present)

Margaret Pinto, Community member (present)

CITY STAFF:

Brandi Suda, Finance Director (present)

Greg Clifton, City Manager (present)

CONSULTANTS:

Dave Cosper, CPA, Auditor (present)

..., Auditor (absent)

#### **II. Public Participation**

Rick Tadder opened to any Public Participation; No members of the public were in attendance in MS Teams

#### **III. Approval of February 5<sup>th</sup>, 2020 Audit Committee meeting minutes**

Motion: Sharman Cawood

Second: Margaret Pinto

Passed Unanimously

#### **IV. Discussion of Fiscal Year 2019/2020 Audit**

Introduction of Dennis OSuch Principal of Clifton, Larson & Allen- City Auditor

3 items following last meeting:

1. 3-23-20 – Triannual Agreed Upon Procedures Report

2. 3-25-20 – Annual Expenditure Limitation Report

3. 3-26-20 – HUD Real Estate Assessment Report

Reports Issued:

1. Governance Communication
2. Comprehensive Annual Financial Report
3. Single Audit Report
4. Passenger Facility Charge Report
5. Highway User Revenue Report

Reports awaiting issuance:

1. Annual Expenditure Limitation Report
2. HUD Real Estate Assessment Report
3. Landfill Assurance Agreed Upon Procedures

June 30, 2020 Audit

Dave Cospers delivers audit presentation:

Audit went well: Due to pandemic, conducted entirely remotely.

Budget Hours: 560, Actual Hours: 546, Est Remaining Hours: 40

(Greg Clifton joined meeting)

Reports at a glance:

A: Governance Communication- significant entries, no difficulties, 2 misstatements, no audit adjustments

B: CAFR Comprehensive Annual Financial Report- unmodified opinion

C: Single Audit Report- GAS – no deficiencies or material weakness, UG- unmodified opinion, no non-compliance, no control deficiencies

D: Passenger Facilities Charge Report – regulated by FAA, clean opinion, no deficiencies or weakness

E: HURF Exam Report- clean opinion

F: 2019 Tri-Annual Court Agreed Upon Report- every 3 years, dictated by Supreme Court, Two items deviated: 2 of 20 cash receipts showed no 2<sup>nd</sup> review & 4 of 10 voided receipts lacked voided receipt number on replacement receipt.

G: 2019 Annual Expenditure Limitation Report- clean opinion, conforms to AZ, all adjustments were allowed

H: 2019 Agreed Upon Procedures for the HUD Real Estate Assessment Report- no findings, all allowed

## CAFR

Comprehensive Annual Financial Report- unmodified "clean" opinion

-Audit basic financial statements, Provide an "in relation to" opinion on combining financial statements, data, schedules, Disclaim an opinion on requested supplemental information

-Risk Based Approach- identify higher risk areas such as: management override controls, Revenue recognition & assertion, Financial close, Capital Assets valuation & assertions on construction in progress.

(Mayor Deasy joined meeting)

Question: Margaret- requests more information on uncorrected misstatements in financial information- final governance communications conclusion-

Answer: 1. Related to post-employment benefit plan or OPEB plan-implicit liability increases premium-benefits paid should be reported as diverted outflow- Prior: \$455,699, Current: \$428,061. Reported next year & Calculated by an actuary. 2. \$33,095 invoice at year end not accrued as expenditure in Capitol Projects Fund.

Question: Sharman- What are Certificates of Participation? They don't go into your debt limitations. Will you be expanding FTE's with the city?

Answer: A debt issuance tool to back the debt to facilities for faith the City will repay the debt. IE: 1. \$4 million to back new Courthouse- last fiscal year, 2. \$133 million backed pension liabilities in City Hall, Library & Fire Stations

Adopted a budget with the guidance of budget team and recession plan during the pandemic. FTE's may have been approved but not filled. Lagging indicator.

C.M. Greg Clifton – very conservative budget and recession plan with tools for current situation. Beneficial option due to low interest rate of 2.69% lower down from prior 7%, saved \$76 million and reduced amortization schedule to 20 years, more stable budget, securing against a property lien to better manage risk without increased taxes or fees. General fund budget is much more manageable and certificates of participation have been very successful. City buildings stand as lien and security.

Question (Margaret): What is in place to ensure court fees stop once debt is paid off?

Answer: Revenue sources could be used for other expenditures. Not sunsetted by debt.

Dennis: Retirement of pension debt: Certificate of Participation issued in 2021 and used to pay off debt in 2021 of the agent Public Safety Retirement Plan ONLY (not AZ Retirement System-due to cost sharing) Both liabilities are reported on the measurement date one year prior. There needs to be a note disclosure for readers to understand the situation.

#### SAR

Single Audit Report – Office of Management & Budget using Government Auditing Standards, after Dec 23<sup>rd</sup> CARES funds addendum, dated Jan 2021  
Issued Clean Opinion

1. Report on internal controls does not provide an opinion, no material weaknesses, no significant deficiencies
2. Report of compliance of schedule of Federal expenditures and all Federal programs during fiscal year. Tested Total Federal Awards 59% \$17,665,741

Three major programs tested:

A) Airport Improvement Program	20.10%	\$2,241,365
B) Coronavirus Relief Fund	21.019%	\$6,680,809
C) Clean Water State Revolving Fund	66.458%	\$1,554,288

Great that there's no findings this year. 1<sup>st</sup> year of 2 as a low risk auditee.

Passenger Facility Charge Audit – In relation to opinion charges, compliance & schedule of PFC expenditures- Clean results, no deficiencies, no weaknesses

#### HURF

Highway User Revenue Fund Report –Examination of payroll, accounts payable disbursements- Clean opinion, no deficiencies.

Landfill Assurance Report – In Progress

HUD Real Estate Assessment Report – To be Completed Feb or Mar.

**V. Vote to Approve CAFR & SAR reports as is and forward to City Council**

Motion: Dave Cosker

Second: Margaret Pinto

Motion Passed Unanimously, Brandi noted the reports will be presented to City Council on Feb 16<sup>th</sup> meeting.

Most 2021 audit will be remote. Future audit planning in April & May for preliminary fieldwork. June preaudit in August. Final fieldwork in October. Exit conference in November but may extend into December.

Management is on track for future Gatsby's pushed back one year.

Meeting next year.

How long is the tenure on the audit committee? Public members have no expiration on their commitment.

**VI. Adjournment**

Rick Tadder adjourned the meeting at 11:29 a.m.